



August 1, 1996

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW Room 222
Washington, DC 20554

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Dear Mr. Caton:

Enclosed are the original and four copies of the comments of GVNW Inc./Management in response to the Commission's Public Notice in CC Docket 96-45 (Reference DA No. 96-1078) released July 3, 1996.

Also enclosed is one copy of our comments to be stamped and returned in the enclosed self addressed stamped envelope.

Any questions regarding this filing may be directed to me at (503) 624-7075.

Sincerely,

Kenneth T. Burchett
Vice President

cc: International Transcription Service
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Encl.

Before the
Federal Communications Commission
Washington, D.C. 20554

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In the Matter of)
)
Further Comment on Specific Questions) CC Docket No. 96-45
Regarding Universal Service)

Federal-State Joint Board

COMMENTS OF GVNW INC./MANAGEMENT

GVNW Inc./Management (GVNW) respectfully submits its responses to some of the specific questions released by the Common Carrier Bureau on July 3, 1996 in the above referenced proceeding. GVNW is a consulting firm providing services to over one hundred local exchange carriers in over twenty states. Our client companies have been the sole providers of quality and affordable universal service for many rural areas in this country.

Schools, Libraries, Health Care Providers

Q 6. Should the services or functionalities eligible for discounts be specifically limited and identified, or should the discount apply to all available services?

A 6. The services or functionalities eligible for discounts should be specifically limited and identified.

High Cost Fund

Q 26. If the existing high-cost support mechanism remains in place (on either a permanent or temporary basis), what modifications, if any, are required to comply with the Telecommunications Act of 1996?

A 26. No changes are required to comply with the Telecommunications Act of 1996. However, the Bulk Billing of Switch Support (DEM weighting) or the inclusion of this support in a new fund may be required to make this support explicit by removing it from the per minute of use access charges.

Q 27. If the high-cost support system is kept in place for rural areas, how should it be modified to target the fund better and consistently with the Telecommunications Act of 1996?

A 27. GVNW proposed the following in its filed comments:

Summary of GVNW Proposal

GVNW Proposals are summarized as follows:

Part 36 Rules Changes

- Subpart F - Universal Service Fund modified to apply only to rural LECs and changed to remove the lag in the calculations.

- DEM Weighting rules modified to apply only to rural LECs.

Part 69 Rule Changes

- Increase cap on EUCL to \$5.50 or modify the Charges to Interexchange carriers by implementing a per line charge to replace the per minute of use charge.
- Eliminate Carrier Common Line on a per minute of use basis.
- Make provisions for new support mechanism which will pick up residual Common Line requirement in excess of EUCL charges, plus DEM weighting and the interstate expense adjustment (USF)
- The proposal includes a four year transition to increase the EUCL and phase out the CCL and long term support.

Q 28. What are the potential advantages and disadvantages of basing the payments to competitive carriers on the book costs of the incumbent local exchange carrier operating in the same service area?

A 28. Any plan which rewards providers on a system not based on the cost of them building plant and providing service is sending the wrong signals to such competitive carriers.

Q 31. If a bifurcated plan that would allow the use of book costs (instead of proxy costs) were used for rural companies, how should rural companies be defined?

A 31. Rural companies should be defined consistent with the Telecommunications Act of 1996. A bifurcated plan which keeps the current procedures for rural companies would allow rural companies to continue providing excellent service to their subscribers.

Proxy Models

Q 46. Should a proxy model be adopted if it is based on proprietary data that may not be available for public review?

A 46. Models, rules, procedures etc., should only be developed or adopted based on data which is publicly available.

Benchmark Cost Model (BCM)

Q 56. How do the book costs of incumbent local exchange carriers compare with the calculated proxy costs of the Benchmark Cost Model (BCM) for the same areas?

A 56. GVNW Reply Comments pages 14 through 20 reflected the comparisons prepared by SWBT and by GVNW which illustrates significant variations between actual costs and the BCM or other models.

Q 58. What are the advantages and disadvantages of using a wire center instead of a Census Block Group as the appropriate geographic area in projecting costs?

A 58. There are several benefits to using a wire center support area. Some costs are currently available on a wire center basis. No costs are kept on a census block basis. Some plant records are kept on a wire center basis. No plant records are kept on a census

block basis. Service is engineered and provided substantially on a wire center basis. No service is engineered or provided on a census block basis.

A system of support for the rural areas of non-rural companies based on equivalent distribution plant wire miles per subscriber on a wire center basis would appear to be a reasonable approach which should be evaluated. This approach could result in a charted monthly support payment per subscriber based on various ranges of customer density.

Actual wire miles could be used with either real costs or proxies from the industry models to target appropriate support levels. After the levels were set, the wire mile and subscriber records would be used for the annual support level calculations. The balance between total fund levels and the monthly support rates would be subject to the FCC's judgment as to the real need of the non-rural companies. Competitors who provide service within qualifying wire center areas could receive the same support amount per customer. A support system for non-rural companies truly restricted to rural areas (high mile to subscriber areas) will address service areas which will experience much less competition than in the more densely populated areas. The vast majority of the non-rural telephone companies' customers are not located in rural service areas and these more urban areas do not need a USF support system regardless who provides the service. This approach would presuppose a relatively modest fund compared to other proposals being discussed. Care must be taken not to eliminate the true benefits from competition by essentially eliminating true competition by introducing artificial, publicly funded competition in a significant portion of the marketplace.

While the number of customers and areas truly requiring support is relatively small, it is essential that these areas receive proper recognition.

The avoidance of unmanageable methodologies or incomprehensible procedures is required for any support system to be effective at sending only the needed support to the properly targeted areas.

GVNW appreciates this opportunity to provide input on some of the important questions the Joint Board is attempting to address.

Respectfully submitted,

GVNW Inc./Management

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